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Richard L. Carr, Sr.

Winner of the
Stanley O. Styles
Industry
Excellence Award



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Cover Photo: Wayne Book

Each year, Americans throw away more than a ton of waste per person, all of which must be collected and disposed of. A large portion of this waste stream is made up of paper and paperboard materials. According to the National Association of Recycling Industries, Inc. (NARI), only about 18 million tons (23%) of the nearly 75 million tons of the paperboard products manufactured or imported each year, are recycled or exported. Much of the balance is either landfilled or incinerated and lost forever as a raw material resource.

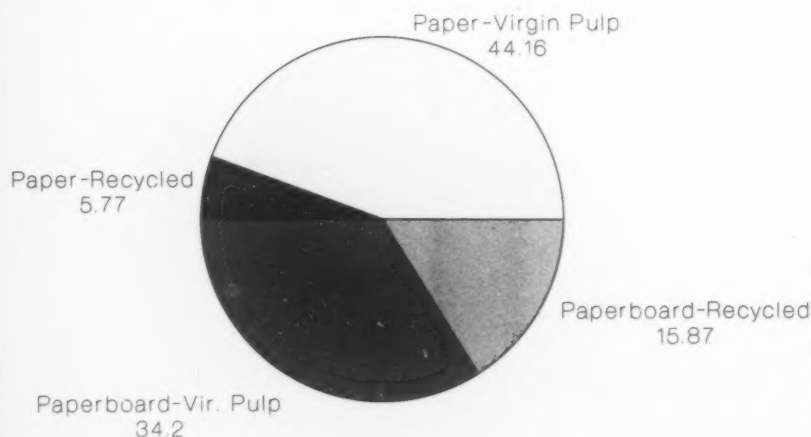
To collect and dispose of solid waste, it costs some U.S. cities as much as \$35 per ton. As landfill sites become scarcer,

RECYCLI

A Viable Alternative

Solid waste is becoming one of the nation's m economically. One solution to this problem is recycl

Recycled Materials in Paper and Paperboard Products



Figures shown are percentages of total paper and paperboard products.

costs will increase. Utilizing waste paper through recycling reduces the enormous solid waste burden, in terms of tax dollars saved as well as reducing the strain on landfills and incineration facilities.

Earth Care Paper Company

Recycled paper products are a part of everyday life. Books, checks, stationery, newspapers, plus thousands of other products are produced with recycled fibers. There are very few papers which cannot contain recycled material.

Earth Care Paper Co., Madison, WI, was opened six years ago by Carol and John Magee, who tried to buy recycled paper for their nature center's newsletter. They could only find companies which used recycled fibers and sold paper in bulk.

Realizing a need, the Magees started their company which offers a full range of products—including Earthnote Stationery, Earthnote Cards, holiday cards, pads, envelopes, gift wrap, computer papers, copy papers, business cards, etc.

"We started Earth Care Paper Company with the simple intent of giving people the opportunity to support the recycling of paper," says John Magee. "Consumer purchasing power can have a positive or negative effect on society and the environment. Each time a person chooses to purchase recycled paper (instead of non-recycled), it directly influences the amount of recycling which takes place."

The company markets its products to individuals, retailers, non-profit organi-

NG PAPER: in the Marketplace

*most serious concerns—environmentally and
ing, which helps reduce the enormous waste burden.*

zations and businesses through catalogs. About 30,000 catalogs are sent out each year, illustrating the full product line and including paper samples. In addition, facts and figures on recycling are found throughout the booklet. Earth Care Paper Company donates 10% of its profits to organizations working to solve environmental and social problems.

The company uses cellophane (100% plant fiber cellulose) for packaging cards and stationery. "Most of the stationery products you find in stores are packaged in plastic," explains John Magee. "Plastic is made from petroleum which is a non-renewable resource. Cellophane has the added benefit of being more transparent than most plastics, making our stationery products lovely gift items.

"We also offer cellulose food storage bags. Cellulose is an excellent material for the storage of food. Not only is it biodegradable, non-toxic and natural, it keeps food fresh and imparts no odors as plastic often does."

One of Earth Care Paper Company's most popular papers is Minimum Impact—a 100% recycled, light beige paper which isn't de-inked or bleached, so the clays and inks are incorporated into the new paper. This new manufacturing process differs from most other recycled papers by using less water, fewer chemicals and producing one-tenth as much solid waste.

According to NARI, there are many other products manufactured with recycled paper including corrugated boxes. The corrugated "medium"—the center fluted element—often is 100% recycled

material. The liners that encase the "medium" are also frequently made with a significant percentage of recycled fiber.

Many materials for home and industry are made from recycled paper including insulation, roofing paper, padding, sound-absorbing materials and construction wallboard. Kitchen and sanitary products—napkins, paper towels and toilet tissue—also may contain recycled products. Many brand name products have successfully used recycled materials for years while others have recently developed the technology. In fact, the federal government, as well as many state governmental agencies now specify recycled fiber in the products they buy. Another

*by Judith Brandt Fishkind
MN Staff Writer*

The Nation's Recycling Organizations

National Association of Recycling Industries, Inc. (NARI)

This Association, founded in 1913, is the most comprehensive organization in the recycling field. NARI is a leader in seeking opportunities for increasing the recycling of economically important raw materials.

Members in the U.S., Canada and abroad include processors, merchant-brokers, importer-exporters and industrial consumers of recycled paper, metals, textiles and rubber. NARI sponsors a range of industry educational programs on marketing, management, plant operations, technical affairs and legislative issues.

Through its public service programs, NARI helps to alert the national and international communities to the importance of recycling—to recover solid waste and conserve vital materials and energy resources.

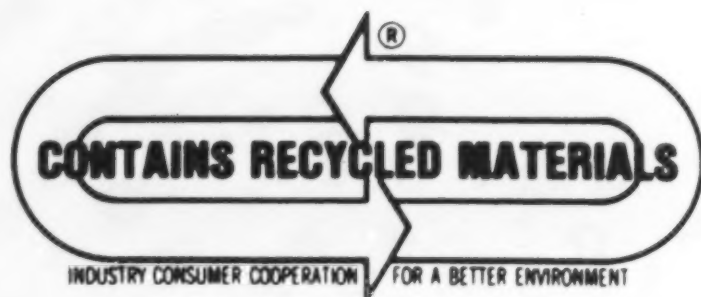
The Paper Stock Institute of America

A division of NARI, it has as its goal the increased recovery and use of recyclable paper. The Institute is made up of firms which purchase waste paper and process it into raw material suitable for consumption by various paper, paperboard, and construction products manufacturers.

The Institute's efforts are directed to providing information to the governmental, industrial and civic communities on the capabilities of recycled fibers and their role in helping resolve the growing solid waste problem. The Institute works to improve the quality of raw material stocks and to expand the recyclability of all types of paper waste.

The Paper Stock Consumers Division

This division, activated in 1972, provides representation to paper and paperboard mills which depend on recycled paper as a key element of their raw material furnish. The need to recycle more paper involves economic and technical factors which relate to both processors and consumers. Members represent a broad range of consumers and include manufacturers of nearly all types of paper products.



This symbol indicates that the product is made with a significant amount of recycled fiber. The symbol requires strict compliance with a minimum recycled content factor.

category which includes recycled products is combination boxboard—such as soap boxes, cereal boxes and shoe boxes. Combination boxboard is a paperboard product made with as much as 90 - 100% recycled fiber. The inner liner of gray colored board is recycled paper fiber.

From Waste Paper to New Paper Products

"Recycled paper has many desirable characteristics not found in other papers," according to John Magee. "Because the fibers are more conditioned the paper has greater flexibility, stands up better to humidity and temperature changes, has greater opacity, holds clay better and is easier to feed on printing presses than non-recycled papers."

What is the manufacturing process?

1. Waste paper enters the recycling stream as a new raw material and begins the transformation in the paper stock processing plant.
2. Paper is sorted and graded.
3. Baling the cleaned, grade paper stock in weights and sizes according to the paper mill's specifications.
4. Baled paper stock is warehoused.
5. Paper stock is transported.
6. Beating and cleaning is the first step in the manufacturer's recycling process. Fibers are bathed to remove any foreign matter.
7. Screening is next. Material is filtered to a uniform size by pumping the fibers through a series of huge screens. After cleaning, sorting and screening, the fi-

bers are ready to be formed into sheets of paper.

8. The paper mill line where white paper is formed into sheets. The recycled fibers are diluted with water, distributed on the surface of a continuous wire, and removed from the forming surface as a continuous sheet of paper. Now it will be dried and finished.

9. The finished roll is the final product of the paper mill. From here rolls are shipped to converters and other manufacturers who will make the finished consumer products.

10. Finished paper products have completed the cycle and can serve again as raw material for new recycled products.

Recycled Paper Product Myths

Attitudes about recycled paper products are changing but there are many myths:

- Products made from recycled materials are "not as good as" those made with virgin materials. According to NARI, recycled materials are processed and sold to manufacturers with the same or equivalent qualitative standards as those for virgin materials. Some recycled fibers have superior quality characteristics to some types of virgin fiber uses.
- Products made from recycled materials "cost more." Equivalent products (from virgin or recycled raw materials) are competitive in the marketplace. Several studies have shown that in comparing products of like quality, recycled products fare as well, if not better than,

virgin products (from a cost standpoint).

• Recycled materials are "hard to obtain." Every printer, paper merchant and stationery store has, or can, obtain such products.

Key to Effective Recycling

According to NARI, successful, effective recycling depends on economics. Waste paper will be recycled on a sustained basis if there is a demand for it by mills and converters. As the consumer demand for recycled paper and paperboard products grow, so will the recovery of greater quantities of waste paper. Paper recycling—which stretches our timber reserves—is an alternative to the increased use of trees. According to NARI, there have been repeated warnings about our forest limitations in the face of an annual paper production that will soon be 50% above present levels.

In addition, the use of recycled fiber in place of virgin material in manufacturing cuts energy costs dramatically—as high as 50%. The use of recycling fiber also means lower emission levels from the burning of oil, wood wastes and spent chemical processing liquors. Paper recycling also reduces air and water pollution.

According to NARI, recycling waste paper adds hundreds of millions of dollars to the national economy. Each additional ton of waste paper recycled saves money, whether it's through reduced tax expenditures or through the direct reduction of waste removal costs. It is a tax generating activity that replaces tax dollar expenditures.

What is preventing more paper recycling? Lack of consumer demand is the largest factor according to the E.P.A. and the American Paper Institute. "Recycling cannot solve the solid waste problem but it can substantially reduce it," says John Magee. "The demand is rising but there is still a long way to go."

For more information, contact NARI at 330 Madison Avenue, New York, NY 10017, 212-867-7330.

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AUGUST 1988

MAN

Paper Merchant Performance

Sales Up
Profits Up



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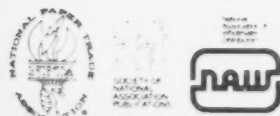
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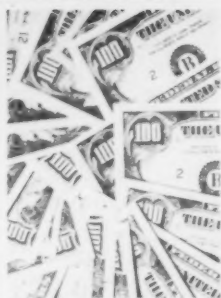
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NPTA's 53rd annual Performance Analysis Report (PAR) has reached members. 1987 saw a record number of PAR participants, a record number of total sales, and a strong showing in virtually all key areas.

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Introducing . . . PERCEPTIONS *by Denis F. Healy*

A new system, available through NPTA, can help you assess your market and competitive position, as well as customer attitudes and service expectations.

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David Brinkley to Speak at 1988 Convention

The 1988 Chairman's Luncheon will feature the distinguished television reporter and commentator. Use the form on page 33 to order tickets now.

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NAW Insurance Program: Quality Health Care *by Bob Larsen*

The Wholesaler-Distributor's Health Insurance Plan is cost-competitive, efficient and reliable. Choosing it may be one of the best decisions you make in 1988.

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Security and Loss Prevention for Industrial Merchants

"Business abuse" can have a tremendous effect on profits and productivity in your company. Richard P. Fisher will be on hand at the 1988 Convention to tell you more about loss prevention in your company.

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Cover photo courtesy of Associated Equipment Distributors

Paper Merchant Performance: Sales Up, Profits Up

Early each year, NPTA conducts its most comprehensive survey of the paper distribution industry—the Performance Analysis Report (PAR). Major findings are presented here, but a wealth of detailed information is contained in other sources such as the Paper Merchant Performance book and Industry Performance Surveys. This report was prepared by George Cain, NPTA's Director of Research.

The Association's 53rd Annual Performance Analysis Report (PAR) has reached NPTA members indicating that 1987 turned out to be a banner year. This is the 12th year that Management Foresight, Inc. (MFI), of Columbus, OH, has prepared the PAR survey for NPTA members.

The composite results, sent to NPTA show:

- Total sales by PAR participants rose 27% (from \$9.4 billion in 1986 to a record \$11.9 billion)
- Profit Before Tax as a percent of sales rose for all merchant groups:
 - 2.50% for Printing Merchants (from 2.18% in 1986)
 - 2.19% for Industrial Merchants (from 2.08% in 1986)
 - 2.51% for Dual Merchants (from 2.32% in 1986)
- ROTA (Return on Total Assets) also increased:
 - 10.38% for Printing Merchants (from 8.59% in 1986)
 - 8.45% for Industrial Merchants (from 8.18% in 1986)
 - 10.50% for Dual Merchants (from 9.03% in 1986)
- RONW (Return on Net Worth, or Net Profit Before Tax to Net Worth) also rose:
 - 20.65% for Printing Merchants (from 17.41% in 1986)
 - 18.04% for Industrial Merchants (from 15.21% in 1986)
 - 16.06% for Dual Merchants (from 14.52% in 1986).

This article summarizes the recently released *Paper Merchant Performance*, a yearly report of U.S. paper merchants' management of key aspects of their businesses—namely, sales, profitability, personnel productivity, operating

expense control and asset management. NPTA *never* sees individual company data or reports, but does receive a summary from MFI of the aggregate performance.

PAR is a comprehensive annual financial analysis designed to allow NPTA merchants to improve their profitability. Merchants filled out a multi-page questionnaire early in 1988 and submitted it to MFI for processing (250 different questionnaires in 1988 for 1987 operations). MFI then sent each merchant a customized report showing their performance on as many as 300 different measures, compared to industry-wide performance averages, medians and ROTA groups.

Sales Increases for 1987

There were significant sales increases for all merchants in 1987. The following chart shows 10-year trends for both "raw" increases and increases adjusted for increased costs merchants had to pay for supplies. The bottom lines show the raw figures: Printing and Industrial merchants had 12.5% increases, and Dual merchants were slightly ahead at 13.7%. After adjusting for cost increases, Printing merchants still showed an 8.5% increase, Industrial merchants a 7.1% increase, and Dual merchants a 9.0% increase.

The 10-year adjusted figures demonstrate some interesting facts:

- Industrial merchants have had the steadiest (although not necessarily the highest) growth
- Printing merchants have had the greatest cumulative growth, but have had dramatically varying growth (see 1981 lows and 1984 highs)
- Dual merchants had the highest rates of increase in the 1978-1980 period, but have had the lowest growth rates every year since until 1987.

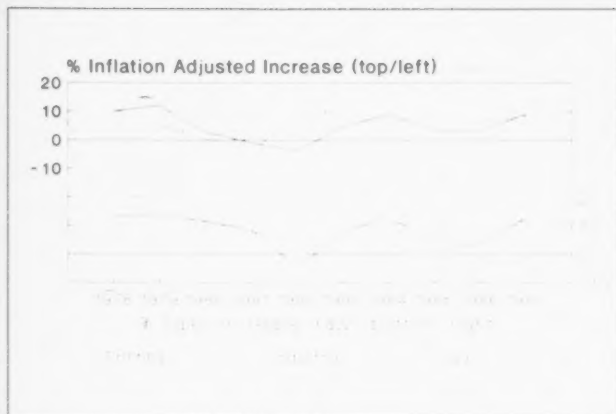


Figure 1

Net Profit to Sales

Net Profit before Tax as a percent of Net Sales is graphed in Figure 2. This measure reflects profit margin performance. Again, looking at the 10-year trends and 1987 performance, it is clear that Dual merchants have consistently been at or near the top, and Industrial merchants at the bottom. In 1987 the three merchant groups were very close together on this measure. Except for 1983, in the past there has been considerable spread between the different types of merchants.

ROTA (Return on Total Assets)

This is one of the key profitability ratios which is graphed in Figure 3. As with Profit to Sales, Dual merchants have had a pattern of being at or close to the top and Industrial merchants the lowest. Here, also, 1987 brings the three merchant groups closer together than has been common in the past.

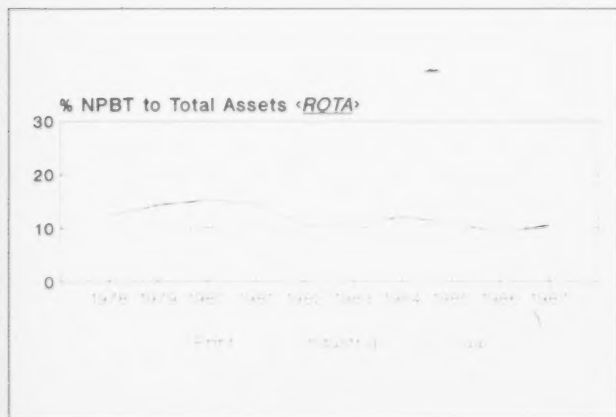


Figure 3



Figure 2

RONW (Return on Net Worth) (Figure 4)

This measure, actually Net Profit before Taxes to Net Worth, is another key profitability measure. Dual merchants do not fare as well on this measure; they are the lowest this year. Printing merchants (who are highest for 1987) usually have the highest composite average figures. Again, the three groups are closer together than in most years in the past.

1987 Gross Margins

Gross margins in 1987, average order size, and sales paths by merchant type, along with comments about trends, can provide part of the picture of *how* merchants improved their profitability for 1987. Chart A shows some of the 1987 composite average numbers.

Printing Merchants: Direct sales had increases in both the average order size and the gross margin. Since this represents a major

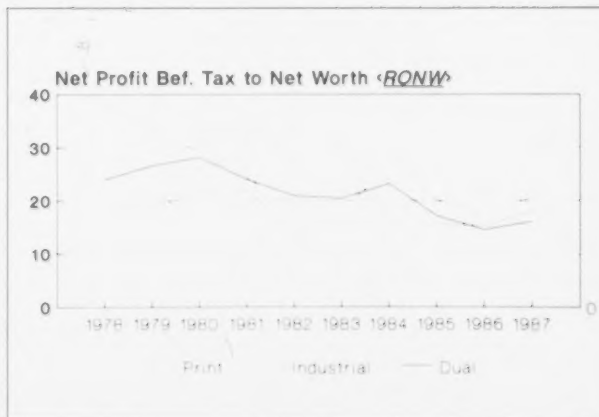


Figure 4

	Printing	Industrial	Dual
DIRECT SALES			
Average Order Size	\$6,956	\$1,018	\$1,746
% of Total Sales	48.8%	19.5%	37.5%
Gross Margin %	6.67%	12.97%	8.04%
WAREHOUSE & INDIRECT SALES			
Average Order Size	\$385	\$256	\$485
% of Total Sales	51.2%	80.5%	62.5%
Gross Margin %	22.15%	24.07%	21.29%

Chart A

portion of this group's business, this may be a major factor in their increased profitability.

Industrial Merchants: Warehouse and Indirect margin actually dropped from 1986, but their percent of sales in Warehouse and Indirect increased from 77.5% to 80.5%. Warehouse and Indirect sales for Industrial merchants is where their margins are highest, higher than the other merchant groups.

Dual Merchants: On the other hand, this group shows no clear pattern of being able to track their profitability to changes in these three areas. They increased their percent of Direct sales from 33.1% to 37.5%, had a 13% drop in the average direct order size, and had a drop in their direct gross margin from 9.4% to 8%.

In addition, they had a small drop in their Warehouse and Indirect Gross Margin.

Sales and Gross Margin Performance

Sales and Gross Margin Performance Measures are a key part of the PAR survey. NPTA

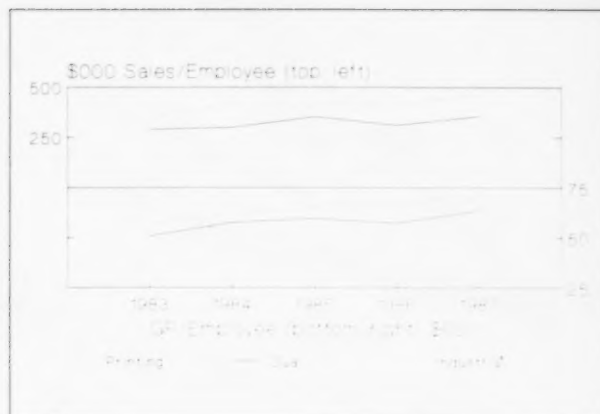


Figure 5

merchant expenses, except for the cost of goods sold, are heavily dependent on sales. The PAR survey provides merchants with a great variety of performance measures related to sales performance and gross margin performance. Many of these measures demonstrate, through their variation, some basic difference in the way Printing merchants and Industrial merchants run their businesses (Dual firms usually fall in the middle in these measures). Despite this variation, other measures which focus more on bottom-line performance show much less variation.

Sales and Gross Profit per Employee is one area where the variation shows up (tracked in Figure 5). Industrial merchants, over a five-year period, have consistently had the lowest Sales and Gross Profit, Printing merchants the highest, with Dual merchants falling between. A sales measure illustrating the similarities is shown in Figure 6. This provides a five-year history of Sales and Selling Expenses as a per-

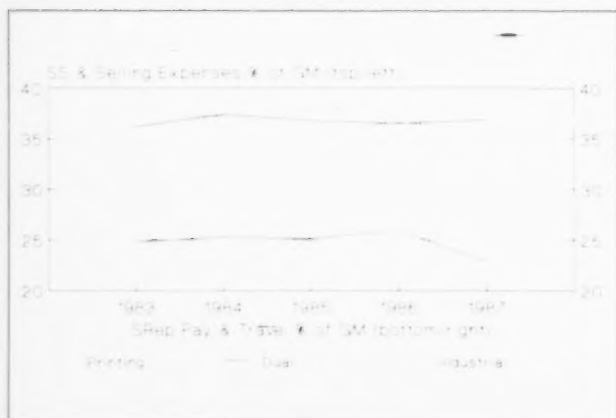


Figure 6

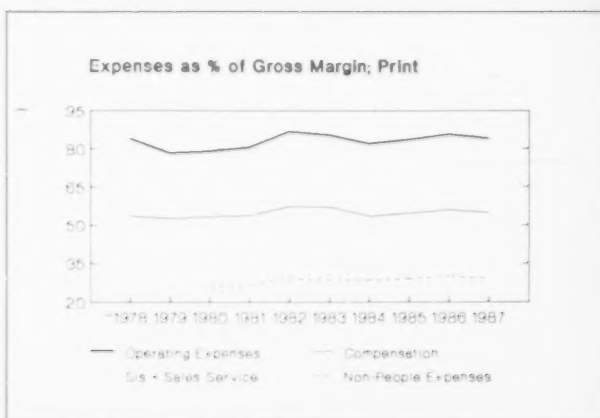


Figure 7

Expense %s of Gross Margin; Industrial

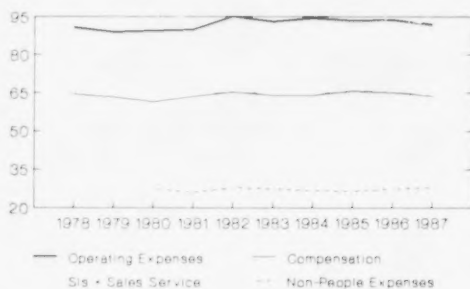


Figure 8

cent of Gross Profit. In 1987 all three merchant groups were very close together, and the five-year history shows that Dual merchants, who began the period with the lowest percent of gross margin consumed by these costs, are now approaching the Industrial merchants' percentage.

Expenses as a Percent of Gross Margin

Expenses as a percentage of Gross Margin can provide major indications of reasons for good or bad overall performance. Figures 7, 8, and 9 provide a five-year history of various expenses as a percent of Gross Margin: Total Operating Expenses, Total Compensation, Sales and Sales Service Costs, and Non-people Expenses.

Higher Profitability Groups

One of the ways MFI helps merchants work on improving their profitability is by identifying three groups of merchants—a High ROTA

Expense %s of Gross Margin; Dual

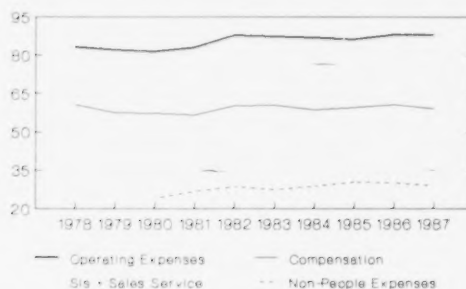


Figure 9

(Return on Total Assets) group, a Low ROTA group, and the Middle ROTA group. Examples of High ROTA measures in several key performance areas appear in Chart B.

Paper Merchant Performance provides breakdowns of performance into sales volume groups, sales path groups (Direct vs Warehouse and Indirect) and NPTA regions. Examining the High ROTA performance measures and the performance of these various groups, there are indications that High ROTA performers were more likely to be in the following groups:

Printing:

- Larger firms (\$55 million in sales and over)
- Firms with over 65% direct sales
- Firms in regions 1, 5 and 8

Industrial:

- Firms in regions 4 and 5

Dual:

- Larger firms (\$65 million in sales and over)
- Firms with over 35% in direct sales
- Firms in regions 4 and 8

This article has summarized the *Paper Merchant Performance* report which provides aggregate performance statistics for the paper distribution industry through NPTA members' use of the annual PAR survey. This report is published annually by NPTA, is available free to merchant distributors who are members, and can be purchased by others who would find the information useful in their work with the paper distribution industry. For further information about *Paper Merchant Performance* or the PAR survey, contact NPTA's Research Department at 516-829-3070.

Measure	Composite Mean	High ROTA
Industrial		
Payroll as % of GM	55.56%	51.52%
Net Sales per Employee	\$254	\$275
NPBT to Sales	2.19%	4.55%
Printing		
Payroll as % of GM	47.75%	45.78%
NPBT to Sales	2.59%	5.95%
Total Operating Expense as % of Gross Margin	84.01%	76.08%
Dual Merchants		
Gross Margin per Employee	\$5.49%	71.95%
Net Sales per Employee	\$389	\$454

Chart B

As Yogi Berra once said, "It's déjà vu all over again!" We had hoped never to return to a period such as 1979-1982 when employee health care costs experienced annual double-digit increases; however, that ugly reality is once again upon us.

There is no single cause for this damage to the bottom line of most wholesaler-distributors. Miracle medicine, rising labor costs, government "cost-shifting," COBRA, AIDS—the list is extensive. Regardless of the causes, the hard facts point to sharply higher medical insurance rates.

The NAW-sponsored Wholesaler-Distributor's Insurance Program, underwritten by New York Life, has enjoyed unusual rate stability over the last five years. Price increases have averaged less than 10%. Thus, even though rates are up, the NAW Comprehensive Major Medical Plan still offers rate and/or coverage advantages over most other fully-insured plans.

Many NAW member firms have turned to alternate insurance mechanisms (HMOs, PPOs, self-insurance, etc.) only to find that the quality of care is materially reduced, personal choice minimized and costs ultimately equaled or were higher than a fully-insured plan.

The pain being experienced by member firms knows no geographic bounds, affects large as well as small firms, and many times has no relationship to prior claims experience. In the final analysis, these are the realities:

- It is frightfully expensive to be sick or injured. Hospital costs can exceed \$1,000 per day.
- Comprehensive health care protection is no longer a "fringe" benefit. It is a critical employee need and either the private sector will provide it, a union will demand it or the "ultimate union"—the government—will mandate it.
- Employers ultimately will get the bill.

The Wholesaler-Distributor's Health Insurance Plan has been around for more than 20 years. Its cost is competitive, expenses are kept to a minimum and its claims administration is as efficient and empathetic as any you will experience. Employee benefit professionals estimate that administrative expenses for HMOs average 18-22% of premiums (for self-insurance, 16-22%); while the NAW Comprehensive Major Medical Program has, over the past 10 years, returned more than \$.90 out of each premium dollar as a paid claim.

More than 90 national wholesale trade as-

NAW Insurance Program: Quality Health Coverage

At a time when health coverage costs are sky-rocketing and quality of care is declining, NAW's Health Insurance plan offers efficiency, reliability and value.

*by Bob Larsen
President, NAW Insurance
Administration Center
Washington, D.C.*

U.S. EMPLOYERS
HEALTH INSURANCE PREMIUMS

Year	Total Expenditures
1988	\$138.*
1987	114.7
1986	108.0
1985	101.6
1984	96.9
1983	89.1
1982	80.3
1981	68.8
1980	59.6

The data for 1980-1987 are from the Employee Benefit Research Institute, Washington, D.C., although the figures for 1987 are projected. The 1988 estimate *, prepared by NAW, was based in part on information provided by the Health Insurance Association of America.

sociations endorse the Wholesaler-Distributors Program. A profile of insured firms discloses that:

- The "typical" member has between 10-50 employees.
- The firm had been insured by a smaller, regional health carrier that suddenly found itself in financial difficulty and raised rates 40%, 50% or more.
- Many firms had been "self-insured" and experienced savings in the first year only to find the cost of benefits go through the ceiling the second year and beyond.
- Some insured firms suddenly realize that with COBRA as well as state mandated benefit continuation laws, they better get with a large, financially sound insurance company or face the possibility of having their present coverage cancelled at a time when their options were severely limited.

Aggregate insurance costs typically are the

third largest expense item on a wholesaler-distributor's P&L statement, after cost of goods sold and payroll. You can't afford to ignore the advantages of the NAW Comprehensive Major Medical Program the next time you are considering employee health care alternatives.

For more information on the Wholesaler-Distributors' Health Insurance Plan, call Holly Ribera of the NAW Insurance Administration Center at 312-297-2020.

Taking a look at your association-sponsored health care plan could prove to be one of the most cost-effective management decisions of 1988.

For more information, contact the National Association of Wholesaler-Distributors (NAW), 1725 K St. NW, Washington, DC 20006, 202-872-0885.

Young Executives Forum

NPTA's Young Executives Forum...for the Leaders of Tomorrow's Paper Distribution Industry

Join the growing number of Young Executives who are meeting the challenges of the future.

To qualify for membership you must be:

- Under 45 years of age
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For an application contact: Bruce Linden at NPTA 516-829-3070; or write the NPTA headquarters

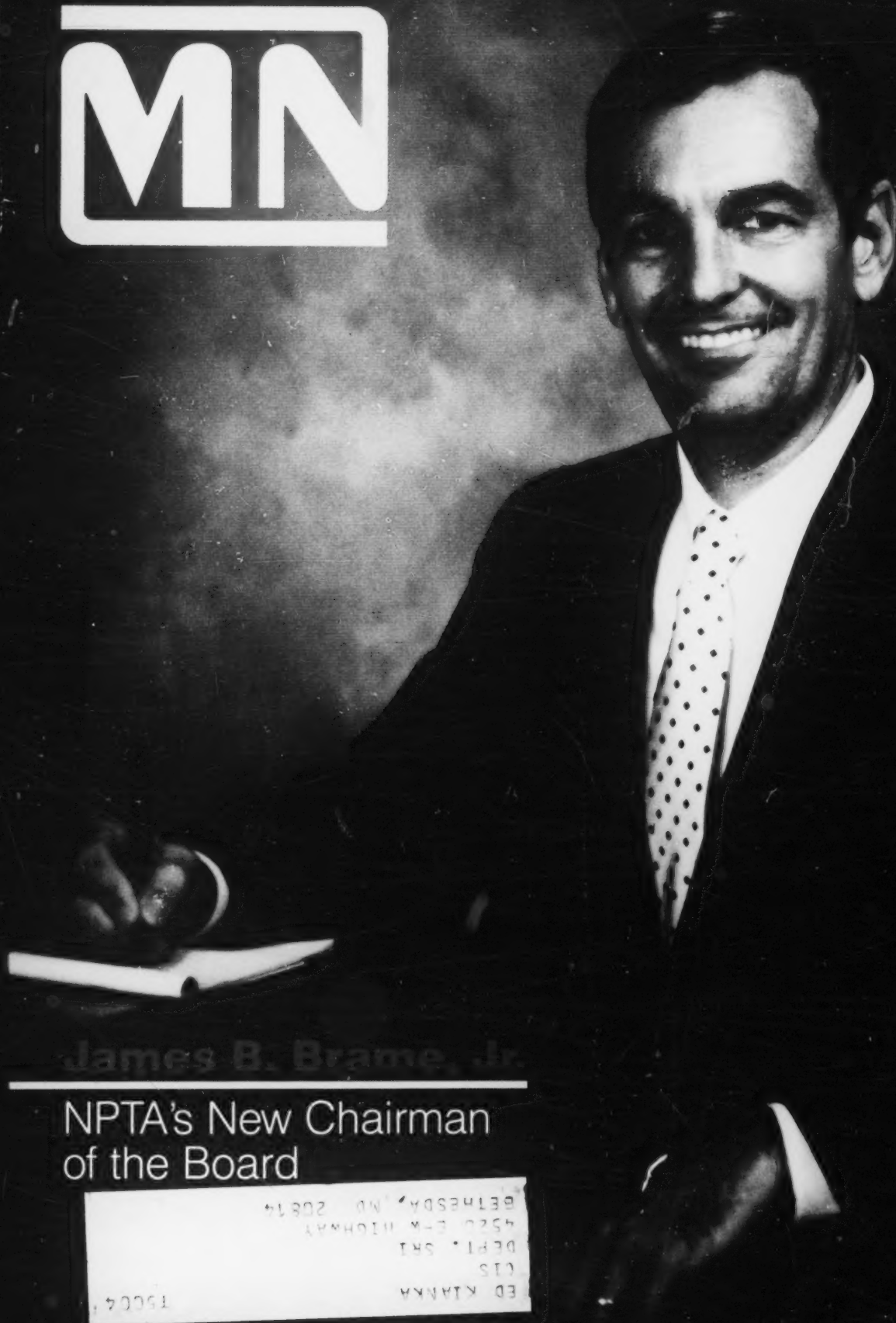
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OCTOBER 1988



James B. Brame, Jr.

NPTA's New Chairman
of the Board

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QBCR Sales and Profits Up

by George W. Cain, Director of Research, NPTA

NPTA's 1988 Second Quarter QBCR (Quarterly Business Conditions Report) shows 1988 sales and profits up significantly. The QBCR is an NPTA member service providing paper merchants with 10 common measures to analyze their performance on a quarterly basis.

Sales Increases Exceed First Quarter

Printing paper merchants reached a 21% increase over 1987. As compared to first quarter 1988, it showed a 17.5% increase, and a 10.1% increase over the second quarter of 1987. Printing paper merchants have experienced increases of 10% or more since the end of 1986. There have been significant increases in the relevant Commerce Department Producer Price Indices (PPI) only in 1988 and 1988's sales increase well exceed the Commerce PPI increase. First and second quarter 1988 QBCR results show the continuation of significant increases begun in late 1986.

Industrial paper sales increases for the second quarter 1988 were 17.2%, essentially continuing the first quarter 17.1%, but significantly higher than 1987 second quarter increases of 8.6%. Industrial paper merchants have now had four quarters of consistently high increases. Third quarter 1987 results were 16.7%, and 1987's fourth quarter increases dipped just below 10% to 9.6%.

Commerce Department Producer Price Indices are mixed for industrial paper merchants. The relevant industrial paper PPI has not risen as sharply as the printing paper index, but plastics indices have risen more in line with the printing paper index. Industrial paper merchants are likely in the same pattern noted in this year's "Paper Merchant Performance," with steady increases after discounting for

producer price rises but without the dramatic increases (and periodic decreases) of printing paper merchants.

Profits Rise in Second Quarter

Before-tax profit as a percent of net sales similarly showed significant increases over 1987 in the second quarter. Industrial locations showed a 2.8% rate, compared to 1987's second quarter rate of 2.6% and 1988's first quarter rate of 1.4%. Printing locations' 1988 second quarter 2.4% exceeded 1987's second quarter 2.2% but remained essentially unchanged from 1988's first quarter 2.4%.

Before-tax profits to sales is the QBCR's best overall "bottom line" measure; these second quarter results indicate the economy's continued growth may well be on its way to providing paper merchants with another good year.

Operating Expenses and Receivables—Source of Profit?

Operating Expenses as a percent of Gross Profit and Receivables Days are two of the other eight QBCR measures. Industrial locations' performance on these two measures essentially mirror their profit to sales performance, as follows:

	Second Quarter 1987	First Quarter 1988	Second Quarter 1988
Industrial			
NPBT to Sales	2.6%	2.4%	2.8%
Receivable Days	38.3	40.2	38.1
Expenses to Gross Profit	89.6%	91.7%	88.3%

Printing locations showed more of a mixed change, similar to their profit-to-sales performance, with increases over 1987 but mixed performance compared to 1988's first quarter, as follows:

	Second Quarter 1987	First Quarter 1988	Second Quarter 1988
Printing			
NPBT to Sales	2.2%	2.4%	2.4%
Receivable Days	41.4	42.3	40.7
Expenses to Gross Profit	87.5%	85.1%	85.9%

The remaining six measures include three gross margin measures: Inventory Turns, Turn and Earn Index and Average Warehouse Order Size. These measures show no consistent pattern to support the increased profitability for the second quarter QBCR. Industrial paper performance on these measures are:

	Second Quarter 1987	First Quarter 1988	Second Quarter 1988
Industrial			
Warehouse GM	21.5%	21.2%	21.5%
Indirect GM	20.8%	20.9%	20.6%
Direct GM	13.5%	13.1%	13.2%
Inventory Turns	6.5	6.0	6.4
WH Order Size	\$295	\$265	\$303
Turn & Earn Index	139.7	127.2	137.6

Printing paper performance on these measures similarly showed no consistent pattern of supporting the changes in profit-to-sales:

	Second Quarter 1987	First Quarter 1988	Second Quarter 1988
Printing			
Warehouse GM	21.6%	20.8%	20.8%
Indirect GM	18.1%	18.3%	17.6%
Direct GM	6.4%	6.2%	5.9%
Inventory Turns	5.3	5.3	5.2
WH Order Size	\$357	\$367	\$394
Turn & Earn Index	114.4	109.7	108.1

(Continued on page 33)

1989 NPTA Convention & Exposition

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October 28-31, 1989

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QBCR in Third Year

The Quarterly Business Conditions Report began in 1986 as another NPTA member service. The QBCR is designed to provide a quick quarterly review of performance on these 10 performance measures. This *MN* article is based on United States-wide averages on all performance measures. Participating paper merchants receive a custom analysis listing their location's performance on these measures against regional and national averages. Participants also receive a listing of where they ranked among participating merchants. For example, 110 print locations were in the second quarter QBCR, and a participating print location

would receive a rank from one to 110 on each of the 10 performance measures. Industrial merchants for the second quarter were ranked from one to 112, as there were 112 industrial locations for the second quarter report.

Other NPTA Research Services

Other NPTA research services include the annual PAR (Performance Analysis Report), the monthly Sales Report and various market research services. PAR, an extensive annual operating survey, is a more detailed report with over 200 operating ratios providing comparisons to

U.S., regional, sales volume, sales path and profit-to-assets measures for each of the 200 ratios. The 1988 PAR (covering 1987 operations) is summarized in *Paper Merchant Performance* reviewed in the August issue of *MN*. The Monthly Sales Report is a briefer report analyzing sales changes, receivables days and inventory days. The Sales Report, summarized through graphs in *MN*, provides the quickest indicators of changes in paper wholesalers' business activities.

For further information about the Quarterly Business Conditions Report or other NPTA services listed, contact George Cain, NPTA research director, at 516-829-3070.